



*United States Senate*  
**Committee on Small Business  
and Entrepreneurship**

*Olympia J. Snowe, Chair*

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**SNOWE INTRODUCES BILL ALLOWING INTEREST ON BUSINESS  
CHECKING ACCOUNTS**

(WASHINGTON, D.C.) – U.S. Senator Olympia J. Snowe (R-Maine), Chair of the Senate Committee on Small Business and Entrepreneurship, today announced she is introducing a bill to allow banks and savings associations to pay interest on business checking accounts, a practice currently barred by law to the detriment of small businesses.

“Current law not only penalizes small-business account holders but also provides large banks an unfair advantage over small, community banks,” said Snowe. “Through complicated and expensive arrangements, big banks can offer alternative accounts, such as sweep accounts, that effectively provide interest-bearing checking in spite of the law. Small banks simply cannot match these services, which are costly to provide, particularly on accounts with small balances.”

The “Interest on Business Checking Act of 2005,” introduced by Senator Chuck Hagel (R-Nebraska) and Sen. Snowe, will help ensure that small firms and community banks, specializing in serving the small business community, will no longer be excluded arbitrarily from the marketplace.

Sen. Snowe and Sen. Hagel introduced nearly identical legislation in the 108th Congress. On May 24, 2005, the House passed similar legislation (H.R. 1224) by a vote of 424 to 1. A similar provision passed the House with overwhelming support in the 108th Congress, but in that Congress the Senate Banking Committee did not take up the issue.

Sen. Snowe is hopeful that this year the bill will be considered quickly by the Committee and brought to the full Senate for a vote. Small businesses continue to lag behind larger businesses in their ability to arrange financing arrangements that replicate the interest they cannot receive on their checking accounts, and this bill would put small businesses on an equal footing.

“The current prohibitions on interest-bearing business checking clearly are out of step with the economic realities facing small business today,” Snowe said. “This bill will open the door for small businesses and community banks to more fully participate and compete in market-driven banking services.”



The bill includes provisions that will allow:

- Any business with an interest-bearing account to make 24 transfers per month (rather than only 6 under current law) out of an interest-bearing account to another account held by the same business in the same bank. This would provide small businesses with the flexibility to make one such transfer per business day.
- The Federal Reserve Board (FRB) to pay interest on the reserve funds that banks are required to keep on deposit at the FRB to cover potential withdrawals. Currently, the FRB does not pay interest to banks for such deposits.

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